



THE CITY OF SAN DIEGO

Honorable Mayor and City Council of the City of San Diego, California

I am pleased to present to the Honorable Mayor and City Council the City of San Diego's Annual Fiscal Year 2003 Budget. The Annual Fiscal Year 2003 Total Combined Budget is \$2.1 billion. This includes \$729.3 million for General Fund expenditures, \$680.3 million for Enterprise Fund operations, \$288.4 million for Special Revenue funds, \$11.0 million for Debt Service and Tax Funds, \$411.4 million for Capital Improvements Program expenditures, and an adjustment for interfund transactions of \$169.3 million.

The single largest issue affecting the City of San Diego's Annual Fiscal Year 2003 Budget is the economy. The local economy has proven vulnerable to the effects of the national recession and the events of September 11, 2001. As a result, the rate of growth for some of the major General Fund revenue categories will be slower than in previous fiscal years. With limited revenue growth and the increased cost of providing services, fiscal policies and practices have been implemented to maintain Fiscal Year 2002 service levels to the degree possible.

To present a balanced budget in light of the economic forecast for Fiscal Year 2003, General Fund departments were requested to reduce their Fiscal Year 2003 base budgets by two percent. Most General Fund departments have maintained their Fiscal Year 2002 staffing levels although some vacant positions were eliminated as a cost savings measure. The majority of new general fund positions have been added only if they are related to a new program or facility, or are reimbursed from another source. This budget will continue to support efforts to protect the environment, maintain rights of way, focus on public safety, address vehicle replacement and deferred maintenance, and proceed with new facilities. The Annual Fiscal Year 2003 Budget also includes a strong Capital Improvements Program for the Water, Metropolitan Wastewater, and Fire and Life Safety Services Departments.

The economic outlook on both regional and national levels will continue to be a primary focus for the City. Forecasts indicate the economy is showing signs of recovery, but to what extent remains undetermined. The uncertainties of the economy will continue to pose a challenge for the City's fiscal health and financial management policies; however, all efforts will be made to effectively manage the City's resources and provide the highest quality services to the public.

Approval of the annual 2002-2003 State budget has revealed funding levels to the City generally consistent with the estimates projected in the proposed budget. Notwithstanding an approximately \$2.93 million reduction in library funding, technology grants for local law enforcement and Redevelopment Agency contributions to the Educational Revenue Augmentation Fund, the City does not anticipate significant service level impacts as a consequence.

Despite the economic challenges confronted in the development of the Annual Fiscal Year 2003 Budget, the City is optimistic about potential revenues from such major events as hosting Super Bowl XXXVII in January 2003. We will continue to closely monitor economic indicators and to appropriately plan and make adjustments as necessary for optimal operations and service levels.

Respectfully submitted,

Michael T. Uberuaga
City Manager

